

LABOR COMPLIANCE IN JORDAN'S APPAREL SECTOR

ACTIONS TO DATE AND NEXT STEPS

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MINISTRY OF LABOR
AMMAN, HASHEMITE KINGDOM OF JORDAN

BACKGROUND

Successful Development of the Apparel Industry

As a result of various trade initiatives, including the establishment of the Israeli-Jordanian qualified industrial zones (“QIZs”) and the subsequent US-Jordan Free Trade Agreement, Jordan has enjoyed a rapid growth in the apparel export sector, its exports to the U.S. now exceeding \$1 billion.

Accompanying Compliance Challenges

This rapid development, however, has also presented Jordan with challenges in assuring effective application of local labor laws and international standards in the sector. A particular compliance challenge concerns protecting the rights of guest workers recruited from overseas on fixed term contracts, who comprise about two-thirds of apparel factory workers in Jordan’s QIZs. Some of these challenges were highlighted in a report released by the US-based NGO, National Labor Committee (NLC), in May 2006.

Jordanian Government’s Resolve to Assess Facts

In the wake of the NLC report, the Government of Jordan immediately began investigations into the allegations of the report. Recognizing its own institutional weaknesses in labor inspection and monitoring, the Jordanian government requested the United States Government and other donor organizations for assistance in addressing problems identified in specific factories and tackling longer term institutional weaknesses. As one of the first measures, the Government of Jordan and the United States Agency for International Development (USAID) established the Joint Labor Assessment and Training Project (JLATP), which undertook an independent assessment of working conditions in Jordan’s QIZ’s. This assessment project, conducted between September and December 2006, was also designed to train some Jordanian labor inspectors on best practice inspection procedures.

Comprehensive Strategy on Labor Compliance

The resulting [assessment report](#), now finalized, serves as baseline data in Jordanian government’s on-going development and implementation of a comprehensive strategy to ensure full compliance in the apparel sector. It also provides additional clarity on the challenges that remain to reach the compliance objectives of the Jordanian government and its private sector.

Steps Taken and Planned

On the basis of the report’s assessment and recommendation, the Government of Jordan has undertaken a review of its ongoing compliance work plan to better respond to the remaining concerns raised by the assessment report. The current document outlines the Government’s plan of action to address remaining compliance issues, highlighting steps already taken (between May and December 2006) and those underway (since January 2007) to enable the Jordanian government to assure

sustained oversight and full compliance with international labor standards in the apparel sector.

IMMEDIATE STEPS TAKEN TO ADDRESS COMPLIANCE ISSUES MAY-DECEMBER 2006

Although some measures were in place to ensure the fair treatment of all workers in Jordan prior to the release of the NLC report, since the May report, the Government of Jordan undertook a range of new initiatives to improve compliance, and engaged partners in the industry, labor, and international arenas to put in place a comprehensive compliance strategy. These initiatives included the following:

Comprehensive Stakeholder Dialogues

- ***Stakeholder Engagement and Dialogue:*** Meetings were held regularly with a range of relevant stakeholders (apparel industry, local and international non-governmental organizations (NGOs), unions, relevant government ministries, and donors) over several months to clarify the issues and determine an appropriate path forward.

Assessment of Facts

- ***Joint Labor Assessment:*** As noted, the Joint Labor Assessment and Training Project (JLATP) was conducted, so that additional programs and reforms could move forward on the basis of adequate baseline data and a more complete profile of the improvements needed in the sector. The assessment report, now finalized, provides additional insight on the compliance issues facing the Jordanian government and the apparel sector.

Enforcement Actions in the Apparel Sector

- ***New Inspection Initiatives:*** Five targeted series of inspections were undertaken covering 400 workplaces. Over 2,688 fines and 482 warnings were issued. Five factories were closed and 1,200 workers who wanted to remain in Jordan were relocated to more compliant factories.
- ***Prosecutions against Labor Violations:*** The Ministry of Labor brought four court cases involving crimes or violations against guest workers between August 2006 and February 2007. Two of the cases were won by the workers and two were dismissed after the workers were compensated.
- ***Factory Closure/ Worker Compensation:*** In addition to the other factory closures, the Pacific Garment Factory was closed. The 350 guest workers were

repatriated and their equipment (330 machines) was seized by the Court as possible collateral against outstanding wages.

- ***Complaint Hotline Services:*** A telephone hotline was established to address worker complaints with the service in principle available for callers in five different languages. Over 455 calls have been received involving 7550 workers of which 70% of the complaints have been resolved to date.

Legal Reforms to Support Enforcement and Compliance

- ***Minimum Wage Increase:*** The garment sector minimum wage was increased from JD95 to JD110 on 1st January 2007.
- ***Labor Law Reform:*** A draft labor law was developed with input from social partners to bring the Jordanian labor law more in line with international standards. Proposed changes include extension of union membership rights to guest workers and amendments to wage and overtime definitions. The amendments were submitted to the Prime Minister on 15th February. The draft is currently being reviewed by the cabinet's legislative committee. Once approved by the Cabinet, the draft will be forwarded to Parliament.

Working with Industry to Enhance Compliance

- ***Industry–Government Code of Conduct:*** In June 2006, a joint industry-government code of practice known as the Golden List was developed to encourage enhanced employer compliance with Jordanian labor laws and international standards. The Golden List code contains specific criteria pertaining to working conditions, treatment of guest workers, and recruitment of Jordanian nationals. This code is being further revised to ensure more rigorous compliance measures.

Working with Unions to Protect (Guest) Workers

- ***New Trade Union Offices to Assist (Guest) Workers:*** Jordanian unions were granted funding from the Government of Jordan to establish offices in industrial parks to assist (guest) workers and promote their rights. Four offices have been set up in the Al-Hassan, Ad Dulayl, Al Tajamouat and Al Karak industrial parks.

Working with International Organizations

- ***ILO Decent Work Country Program:*** A Decent Work Country Program was initiated with the International Labor Organization (ILO) in August 2006 to promote ILO standards, expand quality employment opportunities, and enhance dialogue between employers, workers and the government.

- ***ILO – IFC Better Factory Program in Discussion:*** Discussions began with the ILO and the International Finance Corporation (IFC) about the possibility of developing an industry monitoring and compliance program modeled on the successful Cambodian Better Factory Program, applicable to Jordan. Progress on this discussion is outlined below.

ONGOING AND PROSPECTIVE INITIATIVES JANUARY – DECEMBER 2007

Since the completion of the Joint Labor Assessment and Training Project (JLATP), building on its findings and recommendations, a more structured approach has been taken to bring about change in the garment sector. A three-pronged approach has been underway, focusing on:

- 1. Directly Improving Working Conditions through Enforcement and Compliance:** Conducting targeted inspections and taking other coordinated actions to directly improve working conditions in enterprises.
- 2. Enhancing Institutional Capacity:** Strengthening the Jordanian government's institutional capacity through necessary reforms, increased allocation of resources, training, and coordination to support a sustainable compliance environment in the medium and long-term.
- 3. Increasing Employment Opportunities:** Increasing the availability of Jordanian workers in the apparel sector.

1. Directly Improving Working Conditions through Enforcement and Compliance

Following the JLATP, the Government of Jordan took concrete steps to aggressively improve working conditions in the apparel sector, conducting targeted inspections, improving existing compliance programs, and enhancing inter-ministerial coordination to strengthen enforcement. These steps have included the following:

Targeted Inspections

- ***Development of a Core Inspection Force:*** A Core Inspection Force was established at the Central Ministry of Labor Inspectorate. This Force consists of seven of the Inspectors trained by the JLATP and two international monitors. Following successful operation since January, the Inspection Force was formalized at the end of March 2007. Teams from this Force operate across the country and are responsible for undertaking all Golden List inspections, all Intensive Inspection Surveillance List (IISL) inspections (see following point), and other special inspections.

- ***Establishment of an Intensive Inspection Surveillance List:*** An Intensive Inspection Surveillance List (IISL) was created on a trial basis at the Central Ministry of Labor Inspectorate in February and was formalized at the end of March 2007. Enterprises with particularly egregious violations are placed on this list and will be subject to monthly inspections to ensure improvement. Following the activities of the JLATP, one factory has been placed on this list and, as a result, workers have been paid back wages and conditions in the factory have improved.

Enhanced Industry-Government Compliance Program

- ***Golden List Revision:*** Revisions to the Golden List procedures began in February to significantly enhance its effectiveness. Since the operation of the Core Inspection Force, procedures were made more stringent, so that only two out of the recent set of seven applicants achieved Golden List status at the end of February. Additional revisions, after consultations with the private sector, are scheduled for implementation to ensure higher quality and more uniform standards on inspections to enhance the effectiveness of the Golden List program. ***Revision Completion Date: April 2007.***

Enhanced Inter-Ministerial Coordination

- ***Inter-Ministerial Policy Alignment Committee:*** A committee headed by the Prime Minister was formed to address various policies related to labor and guest workers. This committee meets regularly and is comprised of the Minister of Labor, Minister of Foreign Affairs, Minister of Interior, Minister of Trade and Industry and the Minister of Health.
- ***Inter-Ministerial Technical Level Committee:*** An ad-hoc inter-ministerial committee (comprised of technical mid-level staff from the Labor, Justice, Interior, and Trade ministries and the Intelligence Department) was established to investigate and respond to non-labor law violations, such as physical and sexual abuse and human trafficking. Investigations began in a specific factory identified as a serious violator through the activities of the JLATP. The Committee first met on 6th February 2007 and undertook its first joint investigative factory visit on 13th February. It has developed recommendations for action to be undertaken by each ministry with regard to this specific factory, as well as some initial informal recommendations to improve coordination and cooperation between Ministries.
- ***Ministry of Labor Clarification of Legal Provisions and Procedures on Protection of Workers:*** The Ministry of Labor (MOL) sent a number of letters to different Ministries in March to clarify legal provisions and procedures. The topics include: 1) the need to obtain the opinion of the MOL prior to approving any changes in ownership of enterprises; 2) the responsibility of employers for workers that have run away; 3) revision of the 1929 Slavery Law into an Anti-

Trafficking in Persons law; and, 4) the non-utilization of discretionary judicial powers to combine multiple cases into one when cases concern labor issues. The MOL also sent four letters/directives to its inspectors in March informing them of the basic documentation they need to carry with them on inspections, the procedure to be followed with regard to violations of laws other than the labor law, the follow-up required with regard to court cases, and to solicit their ideas about reform and their needs.

2. Enhancing Institutional Capacity

While taking direct actions to enhance compliance and improve conditions in the apparel industry, the Government of Jordan also has embarked on a series of institutional reforms and resource commitment to ensure long-term oversight and accountability. These efforts include:

Increased Resource Commitment to the Ministry of Labor

- ***Funding Increase for Ministry of Labor:*** In June 2006, the Ministry of Labor significantly increased its projected budget for the fiscal years 2007 and 2008 to support its reform and capacity building efforts. Compared to its FY 2005 spending, the total budget for FY 2006 increased by 14 percent, and budget for FY 2007 and FY 2008 increased by approximately 40 percent.

Increased Resource Commitment to Strengthen Labor Inspectorate

- ***Funding Increase for Inspectorate:*** In June 2006, the Ministry of Labor also increased funds allocated to its Inspectorate to support planned reform and capacity enhancement. Compared to FY 2005 spending, funds allocated to the Inspections Department – as a percentage of the total Ministry budget – increased by more than 13 percent in FY 2006 and more than 23 percent in FY 2007.
- ***Number of Inspectors Increased Significantly:*** Plans are underway to hire approximately 65 additional labor inspectors, significantly increasing the existing number of inspectors in the Ministry of Labor's Inspection Department. New inspectors will be hired in batches as the capacity of the Inspectorate to properly train and equip them improves. ***Expected completion: Last Quarter of 2007.***

International Expert Assistance

- ***International Compliance Expert Onboard:*** Since January 2007, with the assistance of the USAID, the Ministry of Labor has secured the assistance of an international social and labor compliance expert to assist the Ministry in implementing the reforms scheduled for the rest of 2007. Two international monitors are also assisting this expert.

Ongoing Reform of Ministry of Labor

- ***EU-Supported MOL Reform:*** Recommendations from the EU-funded “Institutional Strengthening of the Ministry of Labor of Jordan” Project, launched in January 2007, will guide overall restructuring of the Ministry of Labor. ***Expected completion: First Quarter of 2008.***

Ongoing Reform of Labor Inspectorate

- ***IFC-USAID Supported Comprehensive Inspections Reform:*** With increased resource commitment to strengthen the Labor Inspectorate, in February the IFC (co-funded with USAID) embarked on a comprehensive inspection reform program that seeks to streamline all inspection services in Jordan, with particular focus on the reform of the Labor Inspectorate. Assessments and enterprise surveys are currently underway. Recommendations on institutional, procedural and legal improvements from these activities will inform reform efforts within the Inspectorate which are expected to be implemented beginning in July 2007. ***Expected reform completion: First Quarter of 2008.***

Training Labor Inspectors

- ***National Training Centre:*** A new National Training Centre for Labor Inspectors is being developed. Renovation of the premises is funded by the Ministry of Labor and the ILO will provide initial technical assistance. ***Expected completion: Second Quarter of 2007.***
- ***Inspector Training:*** Additional training will be provided to both current and newly recruited inspectors of the Ministry of Labor. Between April and June 2007, intensive one week “crash-courses” will be conducted using a new Inspection Manual. A group of 20 inspectors will follow a two-week training course focused on matters relevant for QIZs at the ILO Training Centre in Turin, Italy in May. More intensive training of approximately two months for each inspector will follow to ensure the quality and unity of inspection services provided. ***Expected completion of initial phase: Second Quarter of 2007.***

Ongoing ILO Projects to Build Jordan’s Institutional Capacity

- ***ILO Project to Enhance Coordination and Dialogue:*** The ILO project “Strengthening the Social Partners’ Capacity for the Promotion of Social Dialogue” is scheduled to continue into 2010. It is aimed at improving the capacity of the Government of Jordan and the social partners to engage in tripartite and bipartite dialogue and cooperation. It will also assist the Government of Jordan in training inspectors.
- ***ILO Project to Combat Forced Labor / Trafficking:*** The ILO project “Forced Labor and Trafficking in Jordan: a Pilot Program on the Qualified Industrial

Zones" is scheduled to run from March 2007 to March 2008. It aims to raise awareness amongst all stakeholders (inspectors, police officers, judges, employers, workers, NGOs, etc.) on trafficking issues and develop manuals and guidelines to assist stakeholders in addressing trafficking issues.

A New ILO Monitoring and Compliance Program

- ***ILO/IFC Better Factories Program:*** With support from the ILO and the International Finance Corporation (IFC), the Government of Jordan, in collaboration with industry and labor stakeholders, is developing a factory monitoring and compliance assistance program in the apparel sector, based on a model "Better Factories Program" pioneered in Cambodia. In addition to a monitoring system, the program will establish a process to track corrective actions and build the compliance capacity of factories through needs assessment and training. In conjunction, the program aims to improve the productivity and competitiveness of apparel factories in Jordan. A stakeholder meeting is set for 16 April 2007 for input and finalization of plans. ***Expected commencement: Third Quarter of 2007.***

New Economic and Social Council to Improve Coordination

- ***Economic and Social Council:*** In February 2007, the Government of Jordan decided to establish an Economic and Social Council to improve social dialogue and informed decision-making processes. A delegation from the Spanish Economic and Social Council has visited Jordan at the end of March to raise awareness amongst stakeholders (Ministries, parliamentarians, employers, unions, NGOs, etc.) of the function and value of such a Council. ***Expected establishment: Fourth Quarter of 2007.***

3. Increasing Employment Opportunities

One of the ways to reduce compliance concerns is to increase the availability of Jordanian workers in the industry and thereby reduce reliance on guest workers. Programs to enhance the availability of such workers include the following:

- ***World Bank Skills Development Program:*** Preparations have begun with funding from the Japanese government for a skills development program to enhance the employment of Jordanians in various sectors, including the apparel sector. The "Employer Driven Skills Development Project" targets reform of the technical and vocational training system in Jordan. ***Expected completion: Last Quarter of 2010.***
- ***National Training and Employment Project:*** A national training and employment project to train and provide jobs to an additional 10,000 Jordanians

in all sectors, including the apparel sector, has been set up to be completed by the end of 2007.

- ***Technical/Vocational Training Reforms:*** The European Union (EU) is funding the development of a national strategy for Technical and Educational Vocational Training to be used for the development of an EU grant to support the implementation of the strategy. ***Expected completion of strategy: Last Quarter of 2007.***
- ***Employment Services Offices:*** Six rehabilitated employment offices are being linked electronically as part of a MOL re-design of a national electronic labor exchange program. This will significantly upgrade existing employment service offices throughout the country to better facilitate employment in all sectors, including the apparel sector. ***Expected completion: Last Quarter of 2007.***
- ***Sustainable Achievement of Business Expansion and Quality (SABEQ) Project:*** This USAID-funded project focuses on increasing productivity and competitiveness of the private sector in Jordan and is available to assist the private sector once concrete proposals are received.

CONCLUSION

Having embarked on a path to fully assess relevant issues, engage stakeholders in partnership, enhance compliance and enforcement, strengthen long-term institutional oversight and accountability, and increase employment opportunities in the apparel sector, the Government of Jordan is confident that it is well on its way to establish a strong compliance regime in the apparel sector in full compliance with domestic and international standards. In committing to the reforms and initiatives outlined in this document, the Government of Jordan is also presenting an opportunity for the apparel industry in Jordan to commit to pursue both compliance and competitiveness, harnessing support and resources to achieve this dual objective. The continued support and collaboration of international organizations and multilateral institutions would be crucial in the success of these efforts of both industry and government, as Jordan strives to be a model for the region on labor reform, compliance and competitiveness.

For additional information, please contact representatives of the Government of Jordan:

- Ministry of Labor of the Hashemite Kingdom of Jordan: Ms. Yasmine Al Zaben (Phone: +962-6-580-2666, Ext 113) or Mr. Lejo Sibbel (Phone: +962-79-518-4390)
- Information Bureau, Embassy of the Hashemite Kingdom of Jordan, Washington, D.C.: (Phone: 1-202-265-1606)